REMARKS

I. Introduction

Claims 16, 24-32 and 47-90 are pending in the application.

The abstract of disclosure was objected to for exceeding 150 words.

Claims 16, 24-32 and 67-74 were rejected under 35 U.S.C. § 101 for being directed to non-statutory subject matter.

Claims 16, 24-27, 31, 32, 47-51, 55-61, 65-71, 75-79 and 83-87 were rejected under 35 U.S.C. § 103(a) as being unpatentable over Gary, U.S. Patent No. 6,618,707 ("Gary"). Claims 28-30, 52-54, 62-64, 72-74, 80-82 and 88-90 were rejected under 35 U.S.C. § 103(a) as being unpatentable over Gary in view of May, U.S. Patent No. 6,421,653 ("May").

The rejections are respectfully traversed.

II. Applicants' Reply to the Objection of the Abstract

The abstract of the disclosure was objected to for exceeding 150 words. The Office Action required correction. See Office Action, page 2. Applicants amended the abstract such that it is now less than 150 words. Accordingly, applicants request that the objection to the abstract of the disclosure be withdrawn.

Applicants have also amended the specification with amended replacement paragraph at page 3, line 29 to page 4, line 3. This amendment includes the subject matter removed from the abstract to address the Office Action's objection. No new subject matter has been added in this amendment.

III. Applicants' Reply to the Rejection Under § 101

Claims 16, 24-32 and 67-74 were rejected under 35 U.S.C. § 101 for being directed to non-statutory subject matter. More specifically, the Office Action alleged that claims 16, 24-32 and 67-74 are drawn to methods for electronic trading that is not tied to any technological art. Applicants respectfully disagree. However, in the interest of advancing prosecution applicants have amended independent claims 16 and 67. Accordingly, applicants submit that claims 16 and 67 are tied to a technological art, and for at least this reason, the rejection of claims 16 and 67 under 35 U.S.C. § 101 should be withdrawn. The rejection under 35 U.S.C. § 101 should also be withdrawn for claims 24-32 and 68-74 at least because these claims depend from claims 16 and 67, respectively.

IV. Applicants' Reply to the Rejections Under § 103(a)

One embodiment of applicants' invention is directed to an electronic trading system. The electronic trading system preferably includes at least one computing workstation coupled to a central processing unit via a network.

In such an arrangement according to the invention, the central processing unit is configured to receive bid or offer orders from a trader. The central processing unit is also configured to receive a trade command to hit or take at least one of the previously input bid or offer orders. In each of independent claims 16, 47, 57, 67, 75 and 83, that are presently pending in the application, a determination is made whether the trader qualifies for an incentive based on his activities related to making a market associated with the orders received. If the trader qualifies for an incentive, the central

processing unit is configured to, for a period of time, provide the trader with an exclusive opportunity in trading.

According to this invention, an exclusive opportunity in trading may possess value because it is an exclusive option to buy or sell an item while the rest of the traders are forced to wait for the period of time to expire in which the trader has the exclusive opportunity. Moreover, according to Merriam-Webster's Collegiate Dictionary, Tenth Edition, 2001, "exclusive" means:

> **1 a** : excluding or having power to exclude . . .
> **2 a** : excluding others from participation.

Looking more closely to Merriam-Webster's Collegiate Dictionary, "exclude" means:

> **1 a** : to prevent or restrict the entrance of **b** : to bar from participation, consideration, or inclusion.

Based on the discussion of Gary that follows, applicants submit that it will be clear that Gary does not show or suggest providing an exclusive opportunity in trading in accordance with applicants' claims and the well-known definition of "exclusive."

Gary discusses an automated system for matching previously entered orders with incoming orders on an exchange for securities. In the portion of Gary cited by the Office Action, a distribution of an incoming order is discussed. The incoming order is filled first against public customer orders and then filled against professional orders. The distribution of the incoming order with respect to the professional orders is on a pro rata basis based on the size of the professional order. In particular, Gary discusses a situation wherein a specialist receives a relatively higher portion of the pro rata order volume seemingly in response to the specialists' assuming

responsibilities toward maintaining an orderly market. See column 4, line 55 to column 5, line 3.

The portion of the pro rata share received by the specialist is discussed in detail in the portion of text corresponding to FIGS. 4(a) and 4(b). Specifically, the "second example" discussed from column 16, line 13 until column 16, line 67 is one example of the subject matter of Gary.

In the "second example" identified above, the following scenario is described. The offer side of the trading book is characterized in part by a public customer offer of 10 contracts at a price of 3½, a primary market maker (i.e., specialist) offer for 20 contracts at 3½, and a professional trader offer for 5 contracts at 3½. Thereafter, an order to buy 30 contracts at 3½ is sent to the bid matching process. The bid matching process 34 completes step S168 shown in FIG. 4(a) and matches 10 contracts with the public customer order to sell 10 contracts at 3½ because public customer orders are matched first. See column 15, lines 19 to 22. Then the bid matching process determines that there are 20 contracts of the incoming order remaining.

Once the public customer order is filled, a remaining portion of the buy order is left to be matched. In order to match the remaining portion of the buy order with the remaining offers, a predetermined number is established called the primary market maker ("PMM") small order preference size. If the size of the original order is less than the PMM small order preference size, then the PMM will trade for the remaining portion of the buy order, if it can supply the order. If the size of the original order is greater than the PMM small order preference size,

then the remaining contracts are traded according to an algorithm. See column 15, lines 22-31. In the "second example," after the public customer orders are matched, the bid matching process then determines that the original size of the incoming order was greater than the PMM small order preference size (which was assumed to be 5), thereby allowing the remaining 20 contracts to be traded according to the allocation algorithm as illustrated in FIG. 4(b). See column 16, lines 13 to 26.

According to this example, a determination is made that there is one professional trader along with the PMM with offers at the best offer price. The remaining incoming order of 20 contracts is allocated such that the PMM receives the greater of 60% of the order or the percentage of the PMM's order with respect to the entire outstanding order. According to this formula, in this particular example, the PMM is entitled to trade 16 of the remaining contracts because the PMM has 80% (20 of the 25) of the offered contracts at the best price.

Applicants have set forth above a detailed description of one example of Gary in order to clearly differentiate Gary from the present invention, as claimed. Based on the aforementioned example, it is clear that Gary does not show or suggest providing, for a period of time, an exclusive opportunity in trading. In fact, the entire disclosure of Gary is directed to many examples of embodiments of algorithms for allocating portions of available contracts among participants on one side of a trade.

As mentioned above, in applicants' invention, an exclusive opportunity allows a trader to exclude other traders from trading. Merriam-Webster's Collegiate

Dictionary's definition of "exclusive" shows that this exclusive opportunity is a power that the trader possesses to prevent or restrict other traders from participation. The other traders are therefore forced to wait for the period of time to expire in which the trader has this exclusive opportunity. Gary, on the other hand, does not show or suggest participants having exclusive rights to trade and thus being able to prevent or restrict others from trading for a period of time. Rather, the contracts are merely divided among the participants. Certain participants are allocated more or less of a pro rata share of the contracts depending on the status of the participants. Nevertheless, no participant is given exclusivity to trade the contracts for any period of time. Although a participant, such as a PMM, may have trading priority in certain circumstances, in Gary, no participant has the power to prevent other participants from trading. In fact, by the nature of the contracts being allocated among the participants, no participant can be given an exclusive opportunity because other participants trade contracts based on their allocated pro rata share of the contracts. Thus, participants are not being excluded (i.e., prevented) from trading contracts based on another participant possessing an exclusive opportunity, as is required by applicants' claims. Rather, participants in Gary are also able to participate in the trade.

In addition, applicants respectfully submit that the Office Action has failed to point to any suggestion or motivation to modify Gary to include the features of applicants' invention, as defined by independent claims 16, 47, 57, 67, 75 and 83. The law requires that "[e]ven when obviousness is based on a single prior art reference, there

must be a showing of a suggestion to modify the teachings of that reference." In re Kotzab, 217 F.3d 1365, 1370, 55 USPQ 1313, 1316-1317 (Fed. Cir. 2000) (emphasis added). Thus, even assuming that there were some teaching or suggestion in the prior art of the claimed invention, which there is not, the Office Action fails to provide any motivation to modify the system described in Gary.

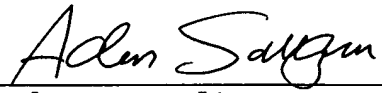
In an attempt to show that applicants' feature of providing an exclusive opportunity in trading for a period of time, the Office Action claims that this feature is inherent in disclosure of Gary. More specifically, the Office Action contends that "'for a period of time' is given its broadest possible interpretation to include a range of time from an instant to infinity." Office Action, page 3. Applicants respectfully disagree. Inherency requires that (1) the missing descriptive matter be "necessarily present" in the prior art reference and that (2) it would be so recognized by persons of ordinary skill in the art. Continental Can Co. USA v. Monsanto Co., 948 F.2d 1264, 1268, 20 USPQ2d 1746, 1749 (Fed. Cir. 1991). As described above, Gary is directed to allocating portions of orders. Allocating portions of orders does not relate to any period of time, regardless of whether it is from an instant to infinity. Therefore, for at least this reason, the Office Action has not demonstrated that applicants' feature of providing an exclusive opportunity in trading for a period of time is necessarily present in Gary.

Thus, because each of independent claims 16, 47, 57, 67, 75 and 83 require "for a period of time, [providing] the trader with an exclusive opportunity," applicant respectfully requests that the rejection under 35 U.S.C. § 103(a) be withdrawn.

V. Conclusion

The foregoing demonstrates that applicants' claims 16, 24-32, and 47-90 are patentable. This application is therefore in condition for allowance. Reconsideration and allowance of this application are respectfully requested.

Respectfully submitted,



Adam M. Saltzman
Reg. No. 52,188
Agent for Applicants
Fish & Neave IP Group
Ropes & Gray LLP
Customer No. 1473
1251 Avenue of the Americas
New York, New York 10020-1105
Tel.: (212) 596-9000
Fax: (212) 596-9090